

Testimony to the Joint Committee on the Master Plan for Higher Education

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Financing California's Public System of Higher Education

1. Two reasons to provide public funds to institutions of higher education

- a. Create and maintain educational capacity in the state
 - Funding for the segments
 - The legacy of the Master Plan
 - California has not moved beyond this stage – more progressive states have
- b. Ensure that this capacity is used in ways that ensure achievement of the state goals
 - California does not deploy resources in this way
 - More fundamentally, California does not have the mechanisms in place that would allow it to deploy resources in this way

2. What are the missing pieces?

- a. A clear set of statewide goals
- b. A sound financing mechanism aligned with these goals
- c. A policy leadership capacity that can implement and sustain reform

3. A clear set of goals

- a. The necessary context for developing a meaningful finance policy
- b. California has relied on the Master Plan as the foundation for higher education policy making/funding for 50 years
- c. It has severe shortcomings
 - It is reactive rather than proactive – the number of students who enroll, not the number the state needs to enroll
 - It focuses on access and ignores success and student completion
 - There are no targets
 - The result is that California is facing a very large shortage of skilled workers
 - PPIC calculates a shortage of 1,000,000
 - NCHEMS calculations suggest a shortage of 1,375,000
- d. The federal government, many states, and the philanthropic community are all focused on completion – not just access/enrollment
- e. Its one continuing benefit is the extent to which it has been successful in ensuring mission differentiation among the segments



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4. A financing mechanism that:
- a. Not only supports institutions but provides incentives for contributions to state goals
 - b. Treats all components of the finance mechanism in an integrated way – finance policy is comprehensive, not a series of independent decisions
 - State appropriations to institutions
 - Tuition/fee policy
 - Student financial aid
 - c. Provides incentives for institutions to acquire resources from sources other than the state.
 - d. The California approach to financing higher education fails against all of these criteria
 - No incentives for college completion
 - An inability to deal with a general fund revenues – state appropriations plus fees – across the segments in ways that maximize benefits to all while maintaining affordability
 - A student financial aid system that is flawed (David Longanecker's testimony)
 - e. Some necessary steps
 - Long term – a comprehensive review and redevelopment of the finance mechanism
 - Short-term – revisions to community college policies
 - Tuition/fee increases sufficient to allow hiring a part-time faculty member from fees collected from a typical class
 - Institutions keep tuition/fee revenues
5. Development of both statewide goals and a comprehensive financing mechanism requires an entity that can:
- Provide policy leadership for development of a set of statewide goals
 - Developing accountability measures and reporting annually on performance
 - Engage civic, business, education, and government leaders in the formulation of these goals
 - Bring information and analytic capacity to the selection of state goals/priorities
 - Bring coherence and coordination to financing policy
 - Influence the direction of state resources to ensure accomplishment of state priorities
 - Recognize distinctions between statewide policy and institutional governance

California does not have such an entity. Addressing California's higher education problems will not be successful if attempted solely on a segment-by-segment basis.